



Company Registration No. 2825044

BRUNTWOOD LIMITED

Report and Financial Statements

30 September 2007

Deloitte & Touche LLP
Chartered Accountants
Manchester
United Kingdom

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M J Oglesby
C G Oglesby
A J Allan
I J Grant
K J Vokes
R D Yates
P A Crowther
D R J Guest
J R Marland
R P Burgess (Appointed 11 January 2007)
K J Crotty (Appointed 11 January 2007)
J D Oglesby (Non-executive)
R W Malin (Non-executive)

SECRETARY

K J Vokes

REGISTERED OFFICE

City Tower
Piccadilly Plaza
Manchester
M1 4BD

BANKERS

The Royal Bank of Scotland
HSBC

SOLICITORS

Addleshaw Goddard, 100 Barbirolli Square, Manchester
Cobbetts, 58 Mosley Street, Manchester
Halliwell Landau, St James' Court, Brown Street, Manchester

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Manchester
United Kingdom

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 September 2007

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

This past 12 months has seen a continuation of the strong growth achieved by our group of companies over many years. The underlying profit before exceptional items has grown by 4.8% and our net worth has increased by 30%. Although our profit growth is relatively low compared to net worth we expect to see profitability increase as our refurbishment projects and lettings are completed. Clearly the major contributory factors for net worth growth have been yield compression and rental growth but none of this could have been achieved without our long-term prudent acquisition strategy and hands-on management and customer service. Our very substantial programme of development for long term investment has been maintained and despite an extremely difficult market for acquisitions we continue to have a large pipeline of projects.

Our Group's core activity is the provision of commercial property and service for our customers. We do this by seeking to provide exceptional service levels and by taking a long-term investment view in our property. It is our view that real estate is one of the most active classes of investment that exists and in the long term it is only those that follow this path that will survive.

This year, against a backdrop of rising interest rates, we undertook a major refinancing exercise, a commercial mortgage backed securitisation (CMBS) which significantly reduced our cost of interest. Developments in the CMBS market have enabled us to take advantage of this source of finance whilst continuing to offer flexibility to our customers.

As shown in the group's profit and loss account on page 6 of the financial statements, the group's turnover increased to £81.5m from £67.7m during the year. Profit before tax was £13.5m, up from £8.6m in 2006, however the 2007 result includes operating exceptional items of £4.5m. The cost of the group staff share schemes also increased from £1.9m to £2.5m due to the significant increase in net worth this year.

Profit after taxation was £11.5m (2006 - £5.9m), amounts due to the minority interests were £4.1m (2006 - £2.7m) and a final ordinary dividend of £2.1m was paid (2006 - £1.3m). The retained profit of £5.2m (2006 - £1,873,000) was transferred to reserves.

The consolidated Balance Sheet on page 8 of the financial statements shows that the group financial position has improved considerably from net assets of £337m in 2006 to net assets of £437m at 30 September 2007. This reflects the company's ongoing policy of investing in its property and working with its customers to add significant value to the portfolio.

The group acquired three properties during the year totalling 306,000 square feet taking total ownership up to 5,260,720 square feet of office space which includes 20% of the Manchester City Centre market. New lettings totalling 589,000 square feet were completed and 818,000 sqft of office space was refurbished to a high standard. Customer retention rates across the group remain high with 70% of customers retained at break or expiry. Occupancy rates remain high at 95% for the core investment portfolio and 83% including investment properties undergoing redevelopment and refurbishment.

The group intends to continue its expansion in the city regions of the North of England. There have been no significant events since the balance sheet date and it is not proposed that the group will undertake any major changes in its activities. With a current rentroll of £57.7m there remains the capacity to grow the current portfolio, which is broken down geographically below, to an estimated rental value (ERV) of £78.6m.

	Area sqft	Rentroll £	ERV £
Manchester	4,027,901	45,238,680	60,798,993
Leeds, Liverpool & Birmingham	1,177,232	12,528,603	17,836,241
	<u>5,205,133</u>	<u>57,767,283</u>	<u>78,635,233</u>

Principal Risk and Uncertainties

The group considers its principal risks to be commercial property price fluctuations, lettings market demand in the North West and UK interest rate exposure.

We believe that the scale of our business and the relatively large market share of the customers in our market provide us with a competitive advantage in terms of our relationship management with key customers. The directors consider the group's concentration on the office market in strategic city regions to be one of its key strengths. We have nearly 30 years of focused experience within this market that allows us to react quickly to changing market conditions and customer needs. The group is customer focused and adopts a flexible approach that results in retention ratios envied within the industry.

At gearing levels close to 50% loan to value, the group is much less leveraged than many in our industry and is therefore in a strong position, not just to weather any downturn in the value of commercial property, but also to exploit lower values as an opportunity to acquire.

Exposure to interest rate risk is managed in two ways, firstly by securing low borrowing margins and secondly by hedging the group's interest rate exposure. During the year the group undertook a CMBS of approximately two thirds of its property portfolio, raising £440m expiring February 2014. The average margin achieved was 0.24% meaning that the group has one of the lowest borrowing costs in the industry. In addition, the full £440m was hedged via an interest rate swap over the full term at 4.90%. At the year end 96% of group debt is hedged.

DIRECTORS' REPORT (continued)

Certain loans held by the group are subject to financial covenants. The directors regularly review compliance with the covenants and maintain strong relationships with the group's finance providers in order to minimise any associated risks.

The repayment of the group's term debt via the CMBS has freed up £285m of property on which the group now has a medium term borrowing facility with HSBC and The Royal Bank of Scotland. At only 7% loan to value (LTV) and 627% interest cover at the year end, this facility will be used to satisfy the group's growth ambitions.

Environment and Sustainability

The Bruntwood Group recognises the importance of its environmental responsibilities and endeavours to conduct its operations in a sustainable manner. Initiatives designed to minimise the group's impact on the environment include programs to ensure that current procurement and expenditure regimes balance current needs with wholelife value, the practical integration of sustainability into project delivery and the incorporation of future proofing during the initial design phase for all new projects. Sustainability clauses are now being included in all new facilities management contracts and we have set ambitious targets to reduce energy consumption and to increase the proportion of energy that we procure from renewable sources. The Group also has in place policies for the safe disposal of hazardous materials waste.

Employees

Details of the number of employees and related costs can be found in note 5 to the financial statements in note 10.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

During the year the group continued its training and development programmes through a combination of internal and external training events costing in excess of £275k (2006 - £300k).

The group keeps employees informed on matters relevant to them as employees through quarterly trading updates, an intranet site, a company magazine and an annual staff presentation. Employees are consulted regularly on a wide range of matters affecting their interests.

The group all employee share ownership scheme is open to all employees who have completed one year of employment. All employees with greater than 6 months service are eligible to join the group's contributory pension scheme. Each year the company sets aside reserves out of profits to meet both these liabilities and those of the directors' share option scheme and at 30th September 2007 the cumulative value amounted to £6.3m (2006 - £4m).

FIXED ASSETS

During the year the group invested £71.5m of capital in its properties and valuations increased by £91.4m taking the total value of investment property and associated fixed assets to £923m. Further details of movements in fixed assets are detailed on page 15.

DERIVATIVE INSTRUMENTS

The group's use of derivative instruments is disclosed in note 14 to the financial statements.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and thereafter are shown on page 1. The directors' interests in the share capital of the company at the beginning and end of the year were as follows:

	£1 Ordinary Shares
M J Oglesby	67,386
Mrs J D Oglesby	9,716,802
	<u>9,784,188</u>

The remaining 9,650,000 £1 ordinary shares are held by Abney 2003 Limited, a company controlled by Mr MJ Oglesby. Options to acquire shares in Bruntwood Limited and Bruntwood 2000 Limited are held by IJ Grant, RD Yates, AJ Allan, PA Crowther, JR Marland, DRJ Guest, R Burgess and KJ Crotty. No other director has any interest in the share capital of this company.

The interests of Mr MJ Oglesby and Mrs JD Oglesby in the shares of Bruntwood Estates Limited are shown in the accounts of that company. The interests of Mr CG Oglesby and Mr MJ Oglesby in the shares of Bruntwood 2000 Limited are shown in the accounts of that company. Other than this, the directors have no interest in the shares of the other group companies.

POLITICAL AND CHARITABLE CONTRIBUTIONS

There were no political contributions during the year (2006 - £Nil). There were charitable contributions during the year of £310,000 (2006 - £280,000). There were further charitable contributions of £526,000 (2006 - £512,000) made by the owners from the dividends they received.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing these financial statements the directors are required to

- * select suitable accounting policies and then apply them consistently,
- * make judgements and estimates that are reasonable and prudent,
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which complies with the Companies Act 1985.

AUDITORS

Each of the directors at the date of approval of this report confirms that

(i) So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(ii) the director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

A resolution to re-appoint Deloitte & Touche LLP as auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



K J Vokes
Secretary

30th November 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRUNTWOOD LIMITED

We have audited the financial statements of Bruntwood Limited for year ended 30 September 2007 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheet, the consolidated cashflow statement and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and for the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

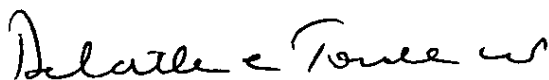
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 September 2007 and of the group's profit for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Manchester

United Kingdom

30th November 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 30 September 2007

	Note	2007 £	2006 £
TURNOVER	2	81,491,552	67,684,634
Cost of sales		<u>(29,129,766)</u>	<u>(25,706,416)</u>
Gross profit		52,361,786	41,978,218
Net operating expenses		<u>(15,571,378)</u>	<u>(10,982,081)</u>
OPERATING PROFIT	3	36,790,408	30,996,137
Operating profit is stated after (charging) / crediting			
Exceptional goodwill write off	4	(643,424)	-
Exceptional surrender payment received	4	5,150,000	-
Interest receivable - bank interest		1,127,187	462,353
Interest payable and similar charges	6	<u>(24,397,988)</u>	<u>(22,858,700)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>13,519,607</u>	<u>8,599,790</u>
Tax on profit on ordinary activities			
- Corporation tax for the year	7	(935,505)	(1,154,657)
- Movement in deferred taxation	7	<u>(1,116,705)</u>	<u>(1,560,553)</u>
		(2,052,210)	(2,715,210)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>11,467,397</u>	<u>5,884,580</u>
Minority interests	16	(4,170,824)	(2,711,351)
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE MEMBERS	23	<u><u>7,296,573</u></u>	<u><u>3,173,229</u></u>

A note of the historical cost profit or loss for the year is not presented for either year as there is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis. The reconciliation of movements in shareholders' funds is shown in note 23.

The above results all relate to continuing operations.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 30 September 2007

	Note	2007 £	2006 £
PROFIT FOR FINANCIAL YEAR ATTRIBUTABLE TO THE MEMBERS	20	7,296,573	3,173,229
Negative goodwill written back to reserves	9	2,025,654	-
Unrealised surplus on revaluation of properties	19	91,410,586	96,267,686
Minority interest share of revaluation surplus	19	<u>(56,418,836)</u>	<u>(54,576,658)</u>
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		<u><u>44,313,977</u></u>	<u><u>44,864,257</u></u>

CONSOLIDATED BALANCE SHEET
30th September 2007

	Note	2007 £	2006 £
FIXED ASSETS			
Tangible assets	10	922,722,048	757,307,637
CURRENT ASSETS			
Debtors amounts receivable within one year	12	16,302,270	12,070,725
Debtors amounts receivable after more than one year	12	3,611,325	3,602,678
Cash at bank and in hand		17,252,680	5,638,887
		<u>37,166,275</u>	<u>21,312,290</u>
CREDITORS: amounts falling due within one year	13	<u>(47,741,495)</u>	<u>(40,965,720)</u>
NET CURRENT LIABILITIES		<u>(10,575,220)</u>	<u>(19,653,430)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		912,146,828	737,654,207
CREDITORS amounts falling due after more than one year	14	(461,323,493)	(388,155,992)
PROVISIONS FOR LIABILITIES	15	(13,752,027)	(12,546,653)
NET ASSETS		<u><u>437,071,308</u></u>	<u><u>336,951,562</u></u>
CAPITAL AND RESERVES			
Called up share capital	17	19,952,622	19,901,582
Share premium account	18	452,716	338,896
Revaluation reserve	19	152,791,725	117,799,975
Profit and loss account	20	22,609,169	15,386,942
Capital reserve	21	6,047,719	6,047,719
Other reserve	22	1,320,000	1,320,000
EQUITY SHAREHOLDERS' FUNDS	23	<u>203,173,951</u>	<u>160,795,114</u>
MINORITY INTERESTS	16	233,897,357	176,156,448
		<u><u>437,071,308</u></u>	<u><u>336,951,562</u></u>

These financial statements were approved by the Board of Directors on 30th November 2007
Signed on behalf of the Board of Directors



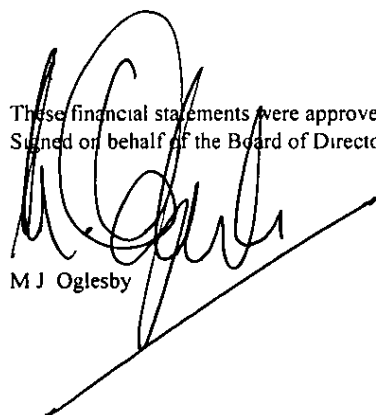
M J Oglesby

- Director

COMPANY BALANCE SHEET
30 September 2007

	Note	£	2007 £	£	2006 £
FIXED ASSETS					
Investments	11		21,298,011		21,247,012
CURRENT ASSETS					
Debtors	12	70,829		32,159	
Cash at bank and in hand		<u>1,112,686</u>		<u>886,590</u>	
		1,183,515		918,749	
CREDITORS amounts falling due within one year					
	13	<u>(588,020)</u>		<u>(1,575)</u>	
NET CURRENT ASSETS			<u>595,495</u>		<u>917,174</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			21,893,506		22,164,186
NET ASSETS			<u><u>21,893,506</u></u>		<u><u>22,164,186</u></u>
CAPITAL AND RESERVES					
Called up share capital	17		19,952,622		19,901,582
Share premium account	18		452,716		338,896
Profit and loss account	20		1,488,168		1,923,708
EQUITY SHAREHOLDERS' FUNDS			<u><u>21,893,506</u></u>		<u><u>22,164,186</u></u>

These financial statements were approved by the Board of Directors on 30th November 2007
Signed on behalf of the Board of Directors



M J Oglesby

- Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 30 September 2007

	Note	£	2007 £	£	2006 £
Net cash inflow from operating activities	26		38,796,287		35,584,621
Returns on investments and servicing of finance					
Interest received		1,127,187		462,353	
Interest paid		<u>(21,595,429)</u>		<u>(22,822,149)</u>	
Net cash outflow from returns on investments and servicing of finance			(20,468,242)		(22,359,796)
Taxation					
UK corporation tax paid		<u>(846,836)</u>		<u>(939,633)</u>	
			(846,836)		(939,633)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(57,535,820)		(67,852,594)	
Disposal of tangible fixed assets		96,386		70,812	
Acquisitions and disposals					
Purchase of subsidiary undertaking	9	<u>(15,121,969)</u>		<u>-</u>	
Net cash outflow from capital expenditure and financial investment			(72,561,403)		(67,781,782)
Equity dividends paid			<u>(2,100,000)</u>		<u>(1,300,000)</u>
Net cash outflow before financing			(57,180,194)		(56,796,590)
Financing					
Loans repaid		(393,250,000)		(1,800,000)	
Issue of Ordinary Share Capital		164,860		179,304	
Redemption of Non-equity minority interest holdings in the year		(1,320,264)		-	
Net dividend distributed to the minority		(1,528,487)		(353,350)	
Purchase of shares for AESOP trust		(164,860)		(179,648)	
Bruntwood Alpha plc 2014 Loan notes		437,091,097		-	
New medium term bank loans		<u>27,820,608</u>		<u>59,833,334</u>	
Net cash inflow from financing			68,812,954		57,679,640
Increase in cash	28		<u>11,632,760</u>		<u>883,050</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding year with the exception of the policy for share based payments which is explained in note 5.

Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain land and buildings. Compliance with SSAP19 "Accounting for Investment Properties" requires departure from the requirements of the Companies Act 1985 relating to depreciation and amortisation and an explanation of the departure is given below under Investment Properties.

Basis of consolidation

The group accounts consolidate the accounts of the company and its subsidiaries using the acquisition method. All of the subsidiaries draw up accounts to 30 September.

Investments in subsidiary companies are shown in the company's financial statements at cost less provision for impairment in value.

Fixed Assets (excluding Investment Properties)

Fixed Assets are shown at cost less accumulated depreciation and provision for impairment. Depreciation is provided on the following basis:

Fixtures and fittings	10% - 33% on cost
Motor vehicles	25% - 33% on reducing balance

Taxation

Current UK corporation tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

In line with FRS 19, deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more / right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of properties where there is no binding contract to dispose of these assets. Deferred tax assets are recognised to the extent that it is regarded likely that they will be recovered.

Investment properties

In accordance with SSAP19, investment properties are revalued annually. Individual impairments in value below historic cost are expensed through the profit and loss account, and individual surpluses or temporary deficits below historical cost are transferred to the revaluation reserve. No depreciation is provided in respect of investment properties.

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP19. The directors consider that, because these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP19 in order to give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Turnover

Property rental income and the appropriate allocation of rental premiums are accounted for excluding VAT and on an accruals basis. Property sales are accounted for on a legal completion basis.

Leases

Rentals are charged to profit and loss account in equal annual amounts over the lease term.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Issue costs are recognised in the profit & loss account over the term of the loan at a constant rate.

Pension costs

Bruntwood Estates Limited makes discretionary contributions to personal pension plans in respect of all employees choosing to join the scheme after a six month probationary period.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2007

1 ACCOUNTING POLICIES (continued)

Share based payment

The group has applied the requirements of FRS 20 (IFRS 2) Share-based Payment. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006.

The group issues cash-settled share-based payments to certain employees. A liability equal to the portion of the employment services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments.

2 TURNOVER

	2007	2006
	£	£
Rental and related income	61,296,910	52,198,262
Service charge income	15,044,642	12,000,372
Exceptional item - surrender income (see note 4)	5,150,000	-
Sale of property trading stock	-	3,486,000
	<u>81,491,552</u>	<u>67,684,634</u>

All turnover arises in the United Kingdom and excludes Value Added Tax. Items billed in advance / arrears are carried forward / carried back in order that the revenue is recognised in the period in which the service is provided.

3 OPERATING PROFIT

	2007	2006
	£	£
Operating profit is after charging / (crediting)		
Auditors' remuneration - Audit fees paid in respect of company	1,775	1,675
- Audit fees paid in respect of subsidiaries	87,926	56,872
- Other services in respect of subsidiaries (taxation services)	72,817	75,880
Depreciation	582,693	560,734
(Profit) / loss on disposal of assets	(540)	8,055
Rent paid	270,714	749,658
Increase in market value of share options (note 5)	1,438,184	1,743,226
Amortisation of investment in own shares	164,496	179,648
	<u>1,643,424</u>	<u>1,799,648</u>

4 EXCEPTIONAL OPERATING ITEMS

	2007	2006
	£	£
Operating profit is after (charging) / crediting		
Lease assignment cost	(643,424)	-
Surrender premium received	5,150,000	-
	<u>4,506,576</u>	<u>-</u>

On the 17 October 2006, the group received a £5.15m receipt from David Lloyd Leisure Limited to surrender their lease at City Tower. The Directors consider this to be an operating exceptional item by reference to its size and incidence.

On 1st April 2007 the group acquired 100% of the share capital of Bruntwood Trading Group Limited. The directors have reviewed the goodwill arising on this acquisition and determined that it is appropriate to write it off in the year of acquisition.

5 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2007	2006
	£	£
Directors' emoluments		
Management remuneration (excluding pensions)	<u>1,472,304</u>	<u>1,278,400</u>
Pension Contributions made to money purchase schemes	<u>108,403</u>	<u>93,500</u>
Number of directors who were members of money purchase schemes	<u>8</u>	<u>7</u>
Number of directors who had awards receivable in the form of shares under a long term incentive scheme	<u>8</u>	<u>6</u>
Remuneration of the highest paid director (excluding pension contributions)	<u>293,719</u>	<u>263,761</u>
Highest paid director's pension contributions	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

5 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	30 September 2007	Average 2007	Average 2006
Number of persons employed			
Administration and management	175	159	147
Customer Service staff	250	224	202
Total	<u>425</u>	<u>383</u>	<u>349</u>
Staff costs during the year (including directors)		2007	2006
		£	£
Wages and salaries		9,740,545	8,887,456
Social security costs		992,994	834,512
All Employee Share Ownership Plan		1,013,547	801,202
Executive Share Option Plan		1,502,898	1,121,672
Pension costs		282,260	239,889
		<u>13,532,244</u>	<u>11,884,731</u>

Share based payment

The group runs for all employees, after a qualifying period of service, an All Employee Share Ownership Plan (AESOP), which provides for the granting of shares on an annual basis to all eligible members of staff based upon performance targets. The group has recorded liabilities at the intrinsic values of £1,847,038 (2006 - £1,153,784) which are included in creditors due in less than one year (note 13).

The group also runs an executive share option scheme, which provides for the granting of options for certain directors to acquire shares in Bruntwood Limited and Bruntwood 2000 Limited. On exercise of the options the company/group will exchange the shares for cash. The executive share option scheme requires that the group pays the intrinsic value of the share options at the date of exercise. The group has recorded liabilities at the intrinsic values of £4,411,788 (2006 - £2,905,992) which are included in creditors due in more than one year (note 14).

Under both schemes the fair value is determined by reference to the net asset value less an appropriate discount for a non controlling interest in a private company. In the prior year the group accounted for the shares under UITF 17. As there is no material difference between the fair value of the share options under UITF 17 and FRS 20 the group have not restated the prior year numbers for FRS 20.

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2007	2006
	£	£
Bank overdraft	177,024	210,494
Loans	24,220,964	22,582,193
Preference share dividend paid	-	66,013
	<u>24,397,988</u>	<u>22,858,700</u>

7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2007	2006
	£	£
Corporation tax		
UK Corporation tax based on profit for the year	1,049,391	1,200,706
Adjustments in respect of prior years	<u>(113,886)</u>	<u>(46,049)</u>
Total current tax charge	935,505	1,154,657
Deferred tax		
Timing differences, origination and reversal	1,973,264	1,588,998
Effect of tax rate change	(982,288)	-
Adjustments in respect of previous periods	<u>125,729</u>	<u>(28,445)</u>
Total deferred tax	1,116,705	1,560,553
Tax on profit on ordinary activities	<u>2,052,210</u>	<u>2,715,210</u>

In the prior year, deferred taxation was reflected at 30%, however, following the announcement that the upper rate of corporation tax will be reduced to 28% in April 2008, deferred taxation is now stated at this rate, being the rate at which the differences are expected to crystallise. The effect of this change is a credit to the tax charge for the year of £982,288.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES (continued)

Deferred tax has not been provided on revaluations of fixed assets. This tax will only become payable if the assets are sold. The estimated amount of tax that would be payable in these circumstances is £81,806,250 (2006 - £70,729,044)

The standard rate of current tax for the year, based on the UK standard rate of corporation tax, is 30% (2006 - 30%). The current tax charge for the year is less than 30% (2006 was less than 30%) for the reasons set out in the following reconciliation

	2007 £	2006 £
Profit on ordinary activities before tax	<u>13,519,607</u>	<u>8,599,790</u>
Tax on profit on ordinary activities at standard rate	4,055,882	2,579,937
Factors affecting the charge		
Disallowable expenses	416,816	326,837
Taxable income not in the accounts	-	80,949
Capital allowances in the period in excess of depreciation	(2,275,669)	(2,090,086)
Contaminated land relief	(256,253)	(234,101)
Short term timing differences	695,596	495,141
(Utilisation of brought forward losses) / unrelieved tax losses arising	(225,735)	113,489
Indexation on capital gains	(1,367,213)	(71,460)
Interest receivable in the tax comps not in the accounts	5,966	-
Prior year adjustments	(113,886)	(46,049)
Current tax charge for the year	<u>935,504</u>	<u>1,154,657</u>

8 EQUITY DIVIDENDS PAID

	2007 £	2006 £
Dividends paid on ordinary shares at 21.8p per share (2006 - 13.5p per share)	<u>2,100,000</u>	<u>1,300,000</u>
Holders of 9,784,188 (2006 - 9,784,188) ordinary shares waived their entitlement to receive the dividend paid during the year		

9 INTANGIBLE FIXED ASSETS - GOODWILL

Cost	£
Balance as at 1 October 2006	-
Additions during the year (see overleaf)	<u>2,025,654</u>
Balance as at 30 September 2007	<u>2,025,654</u>
Amortisation	
Balance as at 1 October 2006	-
Amount written straight to reserves during the year (see note 20)	<u>2,025,654</u>
Balance as at 30 September 2007	<u>2,025,654</u>
Net book value	
At 30 September 2006	-
At 30 September 2007	-

During the year, Bruntwood Estates Beta Portfolio Limited, a 100% subsidiary company, acquired the entire share capital of Langleycourt Limited for £15,121,969. At the time of acquisition all assets were restated at their fair value by the directors, including the main asset, a freehold investment property which was independently valued by Knight Frank LLP, Chartered Surveyors.

The fair value of the net assets at acquisition was calculated as £17,147,625, giving rise to £2,025,654 of negative goodwill on acquisition. Negative goodwill on the acquisition of investment property owning companies is not uncommon due to the fact that certain contingent liabilities are reflected in the price negotiated but are not recognised in the fair value process under UK GAAP.

The immediate write back of goodwill to reserves via recognition in the Statement of Total Recognised Gains and Losses requires a departure from the requirements of FRS 10 on true and fair grounds as endorsed by the Financial Reporting and Review Panel in previous cases of a similar nature.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2007

9 INTANGIBLE FIXED ASSETS - GOODWILL (continued)

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the group

	Book value £	Fair value adjustments £	Fair value to group £
Tangible Fixed Assets	21,824,534	(9,534)	21,815,000
Current Assets			
Debtors amounts falling due within one year	1,966,667	(66,617)	1,900,050
Cash at bank and in hand	285,527		285,527
Total Assets	<u>24,076,728</u>		<u>24,000,577</u>
Creditors amounts falling due within one year	(6,732,754)	(15,000)	(6,747,754)
Provisions for liabilities	(105,200)		(105,200)
Total liabilities	<u>(6,837,954)</u>		<u>(6,852,954)</u>
Net Assets	<u>17,238,774</u>		17,147,623
Negative goodwill			(2,025,654)
			<u>15,121,969</u>
Satisfied by			
Cash paid to acquire Langleycourt Limited			<u>15,121,969</u>

10 FIXED ASSETS

GROUP	Investment properties Freehold £	Long leasehold £	Fixtures fittings & motor vehicles £	Total £
Cost or valuation				
Balance at 1 October 2006	522,751,383	232,415,477	3,713,550	758,880,410
Additions	57,808,230	13,773,796	3,101,417	74,683,443
Disposals	-	-	(127,673)	(127,673)
Revaluation	62,944,010	28,466,576	-	91,410,586
At 30 September 2007	<u>643,503,622</u>	<u>274,655,849</u>	<u>6,687,294</u>	<u>924,846,766</u>
Depreciation				
Balance at 1 October 2006	-	-	1,572,773	1,572,773
Charge for year	-	-	582,693	582,693
Disposals	-	-	(30,749)	(30,749)
At 30 September 2007	<u>-</u>	<u>-</u>	<u>2,124,717</u>	<u>2,124,717</u>
Net book value				
At 30 September 2007	<u>643,503,622</u>	<u>274,655,849</u>	<u>4,562,577</u>	<u>922,722,048</u>
At 30 September 2006	<u>522,751,383</u>	<u>232,415,477</u>	<u>2,140,777</u>	<u>757,307,637</u>

The historical cost of the group properties at the year end is £355,970,859 (2006 - £298,162,629) for freehold properties and £177,429,066 (2006 - £163,655,270) for leasehold properties. Other fixed assets are stated at cost.

Investment properties are revalued by the Directors annually. The Director's Valuation Panel comprises of the following:

MJ Oglesby	Company Chairman, Bruntwood Limited	33 years experience of the property investment industry
CG Oglesby	Chief Executive, Bruntwood Limited	Qualified as a chartered surveyor in 1993 and has 19 years experience in the property investment industry
RD Yates	Director, Asset Management, Bruntwood Limited	Qualified as a chartered surveyor and has 20 years experience in the property investment industry

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

10 FIXED ASSETS (continued)

The Valuation Panel of the company undertook a detailed valuation appraisal of all of the group's properties on a customer by customer basis. In order to benchmark this the Directors undertook the valuation using the same methodology as our external valuers, Knight Frank LLP Chartered Surveyors. The freehold and leasehold investment properties were valued by Knight Frank as at 30th September 2007 on the basis of Market Value in accordance with the RICS Appraisal & Valuation Standards.

Bruntwood has been trading in this market place for well over 25 years and has seen substantial fluctuations over this period in property values and market sentiment towards the industry. After very careful consideration the Directors came to the conclusion that they would take a more long term view resulting in a total valuation that is lower than the Knight Frank valuation. Over the past 12 months the property market has seen significant yield compression and it is the view of the Directors that this may not be sustainable over the longer term.

11 INVESTMENTS

	The Group AESOP Investment in own shares	The Company Investment in subsidiaries
Cost	£	£
At 1 October 2006	806,292	21,247,012
Additions	164,496	50,999
Disposals (see below)	-	-
At 30 September 2007	970,788	21,298,011
Amortisation		
At 1 October 2006	806,292	-
Amortisation (see note 3)	164,496	-
At 30 September 2007	970,788	-
Net book value at 30 September 2007	-	21,298,011
Net book value at 30 September 2006	-	21,247,012

Additional information on subsidiaries
Subsidiaries

	Country of incorporation	Activity	Effective Proportion of ordinary shares held
Bruntwood Alpha Plc	England and Wales	Securitisation Issuing Vehicle	100%
Bruntwood Group Ltd	England and Wales	Holding Company	100%
Bruntwood Estates Ltd	England and Wales	Holding Company	100% *
Bruntwood Estates Fourth Properties Ltd	England and Wales	Dormant	100% *
Bruntwood Estates Holdings Ltd	England and Wales	Holding Company	100% *
Bruntwood Estates Beta Portfolio Ltd	England and Wales	Property investment	100% *
Langleycourt Ltd	England and Wales	Dormant	100% *
Bruntwood Estates Alpha Portfolio Ltd	England and Wales	Property investment	100% *
Bruntwood Estates A Ltd	England and Wales	Dormant	100% *
Bruntwood Estates First Properties Ltd	England and Wales	Dormant	100% *
Bruntwood Estates Second Properties Ltd	England and Wales	Dormant	100% *
Bruntwood Estates Third Properties Ltd	England and Wales	Dormant	100% *
Bruntwood Management Services Ltd	England and Wales	Management Company	50.01% **
Bruntwood Trading Group Ltd	England and Wales	Dormant	50.01% **
Bruntwood Business Centres Ltd	England and Wales	Dormant	50.01% **
Bruntwood Storage Ltd	England and Wales	Dormant	50.01% **
Bruntwood 2000 Ltd	England and Wales	Holding Company	0% ***
Bruntwood 2000 Fourth Properties Ltd	England and Wales	Property investment	0% ***
Bruntwood 2000 Holdings Ltd	England and Wales	Holding Company	0% ***
Bruntwood 2000 Beta Portfolio Ltd	England and Wales	Property investment	0% ***
Bruntwood 2000 (Bolton) Ltd	England and Wales	Property investment	0% ***
Bruntwood 2000 Alpha Portfolio Ltd	England and Wales	Property investment	0% ***
Bruntwood 2000 Fifth Ltd	England and Wales	Dormant	0% ***
Bruntwood 2000 First Properties Limited	England and Wales	Dormant	0% ***
Bruntwood First Properties Limited	England and Wales	Dormant	0% ***
Bruntwood (Overseas House) Limited	England and Wales	Dormant	0% ***
Bruntwood 2000 Second Properties Limited	England and Wales	Dormant	0% ***
Bruntwood 2000 Third Properties Limited	England and Wales	Dormant	0% ***
Bruntwood Third Properties Limited	England and Wales	Dormant	0% ***
Shelfco 150502 Limited	England and Wales	Dormant	0% ***

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

11 INVESTMENTS (continued)

* These companies are held through the Bruntwood Group Limited and its subsidiary companies

** These companies are held 50.01% by Bruntwood Estates Ltd and 49.99% by Bruntwood 2000 Limited. Bruntwood Estates Ltd is a 100% subsidiary company. Bruntwood 2000 Limited is a company in which Bruntwood Limited has a participating interest in the shares, and which is managed on a unified basis. Bruntwood Limited exercises dominant influence over Bruntwood 2000 Limited and each of the subsidiary companies.

*** These companies are 100% subsidiaries of Bruntwood 2000 Limited, a company in which Bruntwood Limited has a participating interest in the shares, and which is managed on a unified basis. Bruntwood Limited exercises dominant influence over Bruntwood 2000 Limited and each of the subsidiary companies.

12 DEBTORS

	The Group		The Company	
	2007	2006	2007	2006
	£	£	£	£
Trade debtors	11,294,921	10,226,358	-	-
Amounts due from subsidiaries	-	-	-	32,159
Amounts due from related parties (note 30)	3,611,325	363,864	-	-
Other debtors	4,166,395	3,848,257	70,829	-
Prepayments and accrued income	840,954	1,234,924	-	-
	<u>19,913,595</u>	<u>15,673,403</u>	<u>70,829</u>	<u>32,159</u>
Analysis of debtors				
Amounts due in less than one year	16,302,270	12,070,725	70,829	32,159
Amounts due in more than one year	<u>3,611,325</u>	<u>3,602,678</u>	<u>-</u>	<u>-</u>
	<u>19,913,595</u>	<u>15,673,403</u>	<u>70,829</u>	<u>32,159</u>

The amounts due from related parties are receivable after more than one year.

13 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	2007	2006	2007	2006
	£	£	£	£
Bank overdraft	-	18,967	-	-
Trade creditors	7,504,159	6,104,155	-	-
Amounts due to subsidiaries	-	-	586,320	-
Amounts due to related parties (note 30)	-	9,178	-	-
Other creditors including taxation and social security	1,192,866	4,484,877	-	-
Accruals and deferred income	<u>39,044,470</u>	<u>30,348,543</u>	<u>1,700</u>	<u>1,575</u>
	<u>47,741,495</u>	<u>40,965,720</u>	<u>588,020</u>	<u>1,575</u>

The bank overdraft is secured by way of floating charge on the assets of one of the company's subsidiaries.

Other creditors include £1,185,449 (2006 - £2,549,311) in respect of taxation and social security.

14 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Group		The Company	
	2007	2006	2007	2006
	£	£	£	£
Loans	456,911,705	385,250,000	-	-
Other creditors	<u>4,411,788</u>	<u>2,905,992</u>	<u>-</u>	<u>-</u>
	<u>461,323,493</u>	<u>388,155,992</u>	<u>-</u>	<u>-</u>
Analysis of loan repayments				
In more than two but not more than five years	20,000,000	385,250,000	-	-
After five years	440,000,000	-	-	-
Issue costs amortised over the life of the loan	<u>(3,088,295)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>456,911,705</u>	<u>385,250,000</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

	The Group		The Company	
	2007	2006	2007	2006
	£	£	£	£
The loans comprise.				
Amount due to fellow subsidiary undertaking - Bruntwood Alpha plc	440,000,000	-	-	-
Royal Bank of Scotland / HSBC	20,000,000	-	-	-
LloydsTSB / HSBC / Helaba Bank	-	194,300,000	-	-
N M Rothschild & Sons / Erste Bank / Barclays Bank	-	88,000,000	-	-
Royal Bank of Scotland	-	102,950,000	-	-
Issue costs amortised over the life of the loan	(3,088,295)	-	-	-
	<u>456,911,705</u>	<u>385,250,000</u>	<u>-</u>	<u>-</u>

On 6th February 2007, the Bruntwood Group undertook a refinancing exercise which involved the issue of £440m of commercial mortgage backed securitisation (CMBS) bonds in the Eurobond market by Bruntwood Alpha plc (a 100% subsidiary company). The proceeds of the issue were then on lent to Bruntwood 2000 Alpha Portfolio Limited and Bruntwood Estates Alpha Portfolio Limited (subsidiary companies). The bonds are secured against the assets of those companies via a first fixed charge over their commercial property and a first charge over the share capital of the companies. No cross collateralisation exists between the two borrowing companies hence each company is only liable for its individual proportion of the loan issued. The bonds mature on 31 January 2014.

As part of the group refinancing, all existing syndicated and bi-lateral medium term facilities were repaid.

During the year Bruntwood 2000 Beta Portfolio Limited and Bruntwood Estates Beta Portfolio Limited (subsidiary companies) entered into separate syndicated loan agreements with The Royal Bank of Scotland Plc and HSBC Plc for two £30million committed facilities expiring 31 December 2011. At the year end each company had drawn £10m of the available amount. Both facilities are on the same terms, they are secured via a first fixed charge over the commercial property of the individual company, a debenture over the assets of that company and a downstream parental guarantee from Bruntwood 2000 Holdings Limited and Bruntwood Estates Holdings Limited respectively. There is no cross collateralisation between the two facilities.

Interest Rate swap contracts

Bruntwood Alpha plc has entered into a £440million interest rate swap agreement at 4.9025% where variable rate interest payments are swapped for fixed rate interest payments. This has been done in order to hedge against cash-flow interest rate risk arising from the variable rate bonds. Bruntwood Alpha Plc pays a variable amount on the bonds and receives/pays the difference between fixed and floating to the swap provider (The Royal Bank of Scotland Plc). This allows the Bruntwood Limited Group effectively to pay a fixed interest rate on the majority of its outstanding debt.

The interest rate swap contract matures on 31 January 2014 in line with the bonds. The group has no other derivative contracts in place at the year end. The interest rate swap contract had a fair value of £14,056,423 at 30th September 2007. In the prior year the group had entered into a number of interest rate swap agreements with an aggregate fair value of £4,158 which were cancelled when the CMBS was undertaken in the current year.

15 PROVISIONS FOR LIABILITIES

	The Group		The Company	
	2007	2006	2007	2006
	£	£	£	£
Analysis of deferred tax balances				
Accelerated capital allowances	16,056,167	14,285,478	-	-
Other short term timing differences	(1,555,143)	(970,628)	-	-
Losses	(748,997)	(768,197)	-	-
	<u>13,752,027</u>	<u>12,546,653</u>	<u>-</u>	<u>-</u>

The group has not recognised a deferred tax asset of £68,634 (2006 - £85,254) due to uncertainty as to the timing of the crystallisation of the asset.

	The Group	The Company
	£	£
Analysis of movement in provisions		
Deferred tax provision as at 1 October 2006	12,546,653	-
Transferred in on group acquisitions	88,669	-
Effect of change in taxation rate	(982,288)	-
Charge for the year	2,098,993	-
Deferred tax provision as at 30 September 2007	<u>13,752,027</u>	<u>-</u>

In the prior year, deferred taxation was reflected at 30%, however, following the announcement that the standard rate of corporation tax will be reduced to 28% in April 2008, deferred taxation is now stated at this rate, being the rate at which the differences are expected to crystallise. The effect of this change is a credit to the tax charge for the year of £982,288.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2007

16 MINORITY INTERESTS

	£
At 1 October 2006	176,156,448
Redemption of Non-equity minority interest holdings in the year	(1,320,264)
Net dividend distributed to the minority	(1,528,487)
Share of profit for the year	4,170,824
Share of revaluation surplus (see note 19)	56,418,836
At 30 September 2007	<u>233,897,357</u>

The non-equity minority interests redeemed during the year comprised 1,320,264 non-redeemable 6% preference shares of £1 each in Bruntwood Estates Limited

17 CALLED UP SHARE CAPITAL

	2007 £	2006 £
Authorised		
19,450,000 Ordinary Shares of £1 each	19,450,000	19,450,000
750,000 Non-Voting 'A' Ordinary Shares of £1 each	750,000	750,000
600,000 Non-Voting 'B' Shares of £1 each	600,000	600,000
	<u>20,800,000</u>	<u>20,800,000</u>
Called up, allotted and fully paid		
19,434,188 Ordinary Shares of £1 each	19,434,188	19,434,188
518,434 (2006 - 467,394) Non-Voting 'A' Ordinary Shares of £1 each	518,434	467,394
	<u>19,952,622</u>	<u>19,901,582</u>

The 'A' Ordinary shares do not entitle their holders to receive notice of or to attend shareholders' meetings of the company. The directors may recommend and the company may declare the same dividend on each class of share, differing dividends on each class of share or dividends on one class of share and none on the other. The non-voting 'A' Ordinary shares are also subject to pre-emption provisions on transfer, whereby, they have to be offered to the company, then the trustees of the All Employee Share Ownership Plan (AESOP) and finally to the holders of ordinary shares. In a winding up the shares rank pari passu with the ordinary shares.

The movement in share capital is due to additional shares purchased by the Trustees of the AESOP (see note 5 for details)

18 SHARE PREMIUM ACCOUNT

	Group and Company £
Balance at 1 October 2006	235,568
Arising on issue of 'A' Ordinary Share Capital	217,148
Balance at 30 September 2007	<u>452,716</u>

19 REVALUATION RESERVE

	Group £
Balance at 1 October 2006	117,799,975
Arising on revaluation during the period	91,410,586
Minority interest share of revaluation surplus for the year (note 16)	(56,418,836)
Balance at 30 September 2007	<u>152,791,725</u>

20 PROFIT AND LOSS ACCOUNT

	Group £	Company £
At 1 October 2006	15,386,942	1,923,708
Profit for the financial year attributable to members	7,296,573	1,664,460
Negative Goodwill written back to reserves (note 9)	2,025,654	-
Equity dividend paid (note 8)	(2,100,000)	(2,100,000)
At 30 September 2007	<u>22,609,169</u>	<u>1,488,168</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

21 CAPITAL RESERVE

	Group £	Company £
Capital reserve arising on consolidation		
Balance at 1 October 2006 and 30 September 2007	<u>6,047,719</u>	<u>-</u>

The capital reserve represents consolidated profit and loss reserves considered to be non-distributable and therefore capitalised in prior years arising predominantly through group acquisitions and reconstructions

22 OTHER RESERVE

	Group £
At 1 October 2006 and 30 September 2007	<u>1,320,000</u>

This reserve represents the capital redemption arising on the acquisition of preference share capital in prior years

23 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
Profit for the financial year attributable to the members	7,296,573	3,173,229
Equity dividend payable (see note 8)	<u>(2,100,000)</u>	<u>(1,300,000)</u>
	5,196,573	1,873,229
Unrealised surplus on revaluation of properties	91,410,586	96,267,686
Minority interest of revaluation surplus	(56,418,836)	(54,576,658)
Negative Goodwill written back to reserves (see note 19)	2,025,654	-
Issue of ordinary share capital	<u>164,860</u>	<u>179,304</u>
Additions to shareholders' funds	42,378,837	43,473,561
Opening shareholders' funds	160,795,114	117,051,553
Closing shareholders' funds	<u>203,173,951</u>	<u>160,795,114</u>

24 FINANCIAL COMMITMENTS

At 30 September 2007, the group had commitments of £36,775,000 for capital expenditure (2006 - £12,176,580)

At 30 September 2007, the group was committed to making the following payments during the next year in respect of operating leases

	Land and Buildings 2007 £	2006 £
Leases which expire		
Within two to five years	180,315	-
After five years	<u>828,532</u>	<u>1,036,087</u>
	<u>1,008,847</u>	<u>1,036,087</u>

25 PROFIT ATTRIBUTABLE TO MEMBERS

Under the provision of Section 230 of the Companies Act 1985, the company is exempt from presenting its own profit and loss account

The amount of profit for the financial period dealt with in the accounts of the company is as follows

	2007 £	2006 £
Profit on ordinary activities before taxation	1,664,460	1,343,405
Taxation	<u>-</u>	<u>-</u>
Profit for the financial year	<u>1,664,460</u>	<u>1,343,405</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

26 RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2007 £	2006 £
Group only		
Operating profit	36,790,408	30,996,137
Depreciation	582,693	560,734
Amortisation of AESOP Shares	164,860	179,648
Increase in market value of share options (note 5)	1,438,184	1,743,226
Loss on sale of fixed assets	538	8,055
Increase in debtors	(4,240,192)	(1,738,321)
Increase in creditors	4,059,796	3,835,142
Net cash inflow from operating activities	<u>38,796,287</u>	<u>35,584,621</u>

27 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2007 £	2006 £
Group only		
Increase in cash in the year	11,632,760	883,050
Repayment of loans	-	1,800,000
New medium term loans	(71,661,705)	(59,833,334)
Change in net debt	(60,028,945)	(57,150,284)
Net debt at 1 October	(379,630,080)	(322,479,796)
Net debt at 30 September	<u>(439,659,025)</u>	<u>(379,630,080)</u>

28 ANALYSIS OF CHANGES - NET DEBT

	At 1 October 2006 £	Cash flow £	At 30 September 2007 £
Cash at bank and in hand	5,638,887	11,613,793	17,252,680
Bank overdraft	(18,967)	18,967	-
	<u>5,619,920</u>	<u>11,632,760</u>	<u>17,252,680</u>
Debts due after one year	(385,250,000)	(71,661,705)	(456,911,705)
	<u>(379,630,080)</u>	<u>(60,028,945)</u>	<u>(439,659,025)</u>

29 ULTIMATE CONTROLLING PARTY

Bruntwood Limited is wholly owned by Mr M J Oglesby, Mrs J D Oglesby and Oglesby family trusts and therefore they are considered to be the ultimate controlling parties

30 RELATED PARTY TRANSACTIONS

Group Only

Details of transactions with the company's wholly owned subsidiaries are not disclosed as the company has taken advantage of the exemption contained in FRS8 "Related Party Disclosures"

Included in debtors/(creditors) are the following amounts due from/(to) related parties

	2007 £	2006 £
Heathcotes Restaurants Limited	3,578,939	-
Roundthorn Group Pension Fund	32,386	11,651
Bruntwood Outsourced Properties Ltd	(1,800)	(1,800)
	<u>3,609,525</u>	<u>9,851</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

30 RELATED PARTY TRANSACTIONS (Continued)

The balance due from the Roundthorn Group Pension and Life Assurance Scheme represent expenses incurred by Bruntwood Management Services Limited on behalf of the scheme. The trustees of the scheme include Mr MJ Oglesby and his wife Mrs JD Oglesby.

All other movements in balances with related parties relate to goods and services purchased by the group and recharged at cost.

Included in long term debtors is an amount of £3,578,939 due from Heathcotes Restaurants Limited, a company of which Mr C G Oglesby is a Director and 50% shareholder. During the year the group charged a management fee of £40,000 to Heathcotes Restaurants Limited and rent and service charges of £175,873 to Simply Heathcotes Limited (a 100% subsidiary of Heathcotes Restaurants Limited).

There were no other related party transactions in the year.